

City of Detroit

CITY COUNCIL

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TO: John Johnson, Corporation Counsel
Law Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 26, 2006

RE: 2006-2007 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Interim Chief Financial Officer
Pamela Scales, Budget Director
June Ellis, Budget Department Team Leader
Kandia Milton, Mayor's Office

Law Department (32)

FY 2006-07 Budget Analysis by the Fiscal Analysis Division

Summary

The Law Department is a General Fund agency. The recommended 2006-07 Budget totals \$21.99 million, an increase of \$3.76 million (20.6%) from the current fiscal year. The department's net tax cost is \$18.85 million, which is \$3.73 million more than the current fiscal year.

2005-06 Surplus/(Deficit)

The Mayor anticipates that the Law Department will end up with a net deficit of \$970,200. Appropriations are expected to deficit by \$1.27 million based expenditure levels in salaries and professional service contracts offset by a \$299,000 revenue surplus due to higher collections from Freedom of Information Act requests.

Overtime

The department has an overtime budget of \$27,000 in the current fiscal year. As of March 31, 2006, the department spent \$8,045 overtime, 29.8% of budget. The recommended overtime budget for 2006-07 remains at \$27,000.

Personnel and Turnover Savings

The Mayor recommends eliminating a net of seven positions for the Law department's budget for next fiscal year. 11 positions are being eliminated from the current year's budget through layoffs and attrition. 1 position (Microcomputer Support Specialist) is being transferred to the Information Technology Services Department where a consolidation of ITS related personnel is taking place. And 5 positions are being added to the department based on the agreement of the 10% salary reduction and healthcare concessions for the attorney's union. The agreement further states that there will be no layoffs of attorneys.

The Mayor does not recommend any turnover savings for the Law Department for fiscal year 2005-06.

Following is information by appropriation comparing current FY 2005-06 positions, as of March 31, 2006 filled positions and FY 2006-07 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 3/31/2006</u>	<u>Mayor's Budget Positions FY 2006-07</u>	<u>Over/(Under) Actual to 05/06 Budget</u>	<u>Mayor's Recommended Turnover</u>
Law Department (32):					
00527 Administration & Operations	143	141	139	(2)	\$ -
11544 Risk Management	3	2	0	(1)	\$ -
32XXXX Leave of Absence	0	(2)	0	(2)	\$ -
32XXXX Unmatched Positions	0	0	0	0	\$ -
TOTAL	<u>146</u>	<u>143</u>	<u>139</u>	<u>(3)</u>	<u>\$ -</u>

Significant Funding by Appropriation

<u>Appro.</u>	<u>Program</u>	
00527	Administration & Operations	<p>Program increases by a net \$4 million approximately for the following primary reasons:</p> <ul style="list-style-type: none"> Salaries increase by \$751,000 to accommodate restoration of the 10% cut for non-union personnel. Only the unionized lawyers are under a 10% cut. This increase occurs even though the Mayor recommends a net of seven positions. Pensions go up \$846,000 based on actuarial assumptions for normal cost, remaining UAAL, and pension obligation certificates repayments, all based on the higher salary amount. Employee benefits increase overall by a net \$895,000. A 10% increase in rates and a lower cost savings through concessions is assumed. Increase includes increases in workers comp and unused sick leave due to higher anticipated retirements. Dental care expects go up 12% too. Increases in benefits are offset by decreases in social security and unemployment benefits. Contractual legal services go up \$1.1 million based on actual experience. Rentals-buildings reduces by \$1.06 million based on a pending 10-year lease agreement before Council to renew the lease of the department and the landlord of the 1st National Building includes a cash incentive and tenant build-out allowances or credits.

- Dues & miscellaneous increases by \$76,000 to allow the department to provide State of Michigan Bar dues for attorneys in accordance with the lawyer's union contract.
- Purchased services-other increases by \$1.17 million based on actual experience. These purchased services include court reporter fees, expert witness fees, expert consultants, medical exams and other case-related support services.

11544 Risk Management Program is eliminated as a separated program and gets shifted to the Administration and Operations program in the proposed budget.

Law (32)

Budgeted Professional and Contractual Services by Activity	FY 2005-06 <u>Budget</u>	FY 2006-07 <u>Recommended</u>	Increase (Decrease)
Administration	\$ 998,480	\$ 2,105,963	\$ 1,107,483
Legislative Liaison	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Total	<u>\$1,898,480</u>	<u>\$ 3,005,963</u>	<u>\$ 1,107,483</u>

Significant Revenue Changes by Appropriation and Source

00527 Administration & Operations Program budgeted revenue totals \$3.15 million, reflecting only an increase of \$35,000. It should be noted that personal services-Planning & Development goes up by \$350,000 and personal services-DDOT goes down by \$300,000 based on actual collections.

Issues and Questions

Contractual Services and Budgeted FTE's of the Law Department 1999-00 through 2006-07

	FY 1999-00 <u>Budget</u>	FY 2001-02 <u>Budget</u>	FY 2002-03 <u>Budget</u>	FY 2003-04 <u>Budget</u>	FY 2004-05 <u>Budget</u>	FY 2005-06 <u>Budget</u>	FY 2006-07 <u>Recommended</u>
Law Dept. Contracts	\$ 4,387,000	\$ 5,698,738	\$ 3,971,701	\$ 1,965,701	\$ 2,328,823	\$ 1,464,833	\$ 2,572,316
<i>Percentage Change +/-</i>	27.26%	29.90%	-30.31%	-50.51%	18.47%	-37.09%	75.60%
FTE's	195	219	217	227	188	146	139
<i>Percentage Change +/-</i>		12.31%	-0.91%	4.61%	-17.2%	-22.35%	-4.79%

In reviewing the budgetary history of the Law Department, FTE's recommended for 2006-07 are well below the 1999-00 level. Contractual dollars increase from

the current fiscal year, but are still below almost by half from the 1999-00 levels. Why the strategy to higher more contractual services as the City employee base shrinks the Law Department? What type of expertise the department seeks from contractual staff the City's staff cannot provide? Does the department anticipate using contractual staff to fight more cases?

How does the department plan to interact with the Mayor's general legal counsel to improve legal services for the City?

Will the department provide a person to serve as the City Council liaison on a daily basis?

Page 32-8: the Mayor recommends eliminating the Risk Management Division and shifts risk management services over to the Administration and Operations program of the Law Department. Given the magnitude of the lawsuit settlements against the City, how does this reorganization of the risk management service better protect the City? What plans does the department have to better coordinate risk management services with other departments, particularly in the high-risk areas such as Police, DDOT and Public Works?

ICJ